

12 AUG 1975

MEMORANDUM FOR: Director of Logistics

SUBJECT : Study of Small Purchasing Function in the
Office of Logistics

REFERENCE : Memo dtd 30 Jul 75, for D/L, fm OL/PMS, same
subj (OL 5 3869)

1. The following comments concern themselves with recommendations 3a, b, c, and d of referenced memorandum.

2. The recommendations in and of themselves suggest a sound management approach to the requirement for routine small purchase action. I feel, however, that the study overlooked certain elements of the Agency automated system which were developed and implemented to enhance logistical and financial controls. Of prime importance, of course, is the basic asset which provides true quick reaction through selective override of ADP system requirements while still satisfying the requirements for fiscal control.

a. The Small Purchases Branch (SPB), Central Depot, Supply Division, OL, processes procurement actions outside the Financial Property Accounting-Inventory Control System (FPA-ICS) (LI 45-20). Our goal is to have the action in SPB at the earliest practicable time so that our claim to quick reaction is real. As a further step to eliminate all actions (steps) in requisition processing which are marginal in accrued benefit, we have submitted a reorganization plan which, if approved, will further reduce administrative processing time not only on SPB actions, but across-the-board. In this reorganization proposal we will eliminate two steps (Central Control and Distribution Branch In-Out). This is in contrast to subject study whereby an additional channel would be added by routing SPB actions through the Procurement Division (PD), OL. Additionally, the study does not recognize the responsibilities of elective Materiel Procurement Allotment Financial Analysis Number (FAN) assignment (now Supply Management Branch (SMB)), complete requisition edit, reproduction, and distribution of the requisition. ↓

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b. The quick-reaction reputation of SPB action is enhanced by the present programmed capability to by-pass FPA-ICS with these relatively insignificant fund requirements, while still providing acceptable fiscal control outside the system. The SPB actions recognized by SMB are not input to Requisition Suspense in the ICS, nor are they assigned a Procurement Instrument Number (PIN). If all requisitions reflecting action other than those for stock or Interdepartmental Support Branch were forwarded to PD, we would of necessity assign PIN's and make input to the ICS. When items were later determined by PD to be SPB actions, we would then reverse the ICS input to remove the items from the FPA-ICS system. Needless to say, this added workload is unacceptable. An alternative in this instance would be continuance by SMB to assign source (PD versus SPB); input to the ICS only the PD source assignments; and then, after PD review, generate further ADP input to recognize any resulting source adjustment. This process has all the earmarks of a cumbersome approach without corresponding improvement. The delay in requisition processing and the increased SMB workload in effecting adjustments do not seem warranted in an effort to avoid a current 3 percent average error in the source assignments now being made by SMB.

c. Effective with fiscal year 1976, the Property Requisitioning Authority (PRA) encumbrance was automated with the records of each budget and fiscal officer dependent on the accuracy of ICS input. The PRA encumbrance/commitment data is stored in a PRA file within the ICS and captured periodically for respective budget and fiscal offices. Constant and repetitive adjustment to the Supply Division's ICS records can only result in a less effective and responsive record, not to mention the dependence on accuracy of this data as it is used to project future budget estimates. When a requisition is submitted, PRA is certified. When diversions are made to SPB, an edited copy of the requisition goes to the budget and fiscal office indicating those items which will be procured by SPB and processed outside FPA-ICS. In this way, the validity of materiel costs is determined in the need for PRA versus funds.

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d. Presently, 50 percent of SPB actions are received direct from requisitioners; the balance through diversions originated by SMB. The restrictions placed on SPB operations by LI 45-20 were made after much deliberation, with the final judgment reflecting a simplified procurement function not to be compared with, or integrated with, a more formalized procurement system. An attempt to consolidate two systems based on two separate concepts, and then equalize workload through promiscuous assignment of action between the PD and the SD concept, will, on the basis of past experience, generate inadequate internal coordination with a consequent unfavorable effect on both quick-reaction support and fiscal control data now being relied upon Agency-wide.

3. In view of the foregoing, it is recommended that organizational control of SPB remain unchanged.



STATINTL

Chief, Supply Division, OL

cc: OL/P&PS
OL/PD
OL/PMS

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